

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 EUR-25 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SCEM-02 INT-08

NSC-10 SS-15 STR-08 CEA-02 L-03 H-03 DODE-00 PA-03

USIA-15 PRS-01 DRC-01 /189 W
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R 271405Z SEP 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5190

C O N F I D E N T I A L SAN JOSE 3437

E.O. 11652: GDS

TAGS: ENRG, ETRD, EIND, CS

SUBJECT: RECOPE

REF: SAN JOSE 337&

1. MINISTER OF INDUSTRY KOGAN TOLD EMBASSY TODAY THAT UNION TEXAS OFFERED TO PULL OUT OF RECOPE FOR SYMBOLIC PRICE OF \$1.00 IF GOCHR WOULD ASSUME FRENCH DEBT AND PAY FOR INVENTORY. KOGAN DESCRIBED TWO-DAY MEETING IN HOUSTON, SEPTEMBER 21-22, AS VERY DIFFICULT, AND SAID THAT UNION TEXAS PEOPLE WERE HARD-NOSED AND RUDE. FOR EXAMPLE, FLOWERS PUBLICLY BERATED DEPUTY GUILLERMO JIMENEZ IN SEVERAL MEETINGS. IN MOMENT OF ANGER, KOGAN SAID, TEVERBOUGH SAID ALLIED WAS TIRED OF COSTA RICA AND JUST WANTED TO GET OUT, AND MADE OFFER DESCRIBED ABOVE. AFTER SOME DISCUSSIONS, THIS WAS APPARENTLY REDUCED TO WRITING AND KOGAN SAID HE WOULD ACCEPT THE OFFER AD REFERENDUM TO PRESIDENT
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FIGUERES. TEVERBOUGH ALLEGEDLY STATED

THIS WOULD HAVE TO BE APPROVED BY THE ALLIED BOARD OF DIRECTORS. KOGAN SAID HE REALLY NEVER HAD A CHANCE TO MAKE AN OFFER FOR A DEAL ON PRICE INCREASE IN RETURN FOR GUARANTEED INVESTMENT PROGRAM. HE SAID ALLIED COULD HAVE HAD A DEAL IF THEY WANTED, BUT THEY TOOK A HARD LINE POSITION, APPARENTLY ALREADY HAVING DECIDED TO GET OUT.

2. PAUL COVERSTON, MANAGER OF RECOPE, WHO ALSO ATTENDED THE MEETINGS, GAVE A SOMEWHAT DIFFERENT VERSION OF THE MEETINGS. ACCORDING TO COVERSTON, UNION TEXAS' OFFER GAVE THE GOCR REPRESENTATIVES AN "ULTIMATUM" WITH THREE ALTERNATIVES AS FOLLOWS:

A) THE GOCR WOULD GRANT AN IMMEDIATE PRICE INCREASE AMOUNTING TO \$2.60 PER BARREL TO COVER RECOPE COSTS, APPROXIMATELY AS FOLLOWS: \$1.00 FOR RECENT CRUDE INCREASES, \$.50 TO COVER PAST LOSSES BECAUSE OF FAILURE OF GOCR TO GRANT TIMELY PRICE INCREASES, AND \$1.00 FOR NEEDED PLANT IMPROVEMENTS:

B) IF ALTERNATIVE A) NOT MET BY OCTOBER 1, UNION TEXAS PREPARED TURN OVER REFINERY AND PULL OUT COMPLETELY, ALONG LINES DESCRIBED BY KOGAN;

C) WHICH IS A VARIATION OF B); RECOPE WOULD SIGN NEW CRUDE CONTRACT, THEN TURN OVER REFINERY AND CONTRACT TO GOCR BUT CONTINUE TO OPERATE REFINERY FOR THREE YEARS UNDER A MANAGEMENT CONTRACT WITH GOCR. COVERSTON SAID HE UNDERSTOOD GOCR CABINET WOULD MEET SHORTLY TO DECIDE ON THIS OFFER, AND ALLIED BOARD OF DIRECTORS WOULD SIMILARLY MEET IN NEW YORK THIS WEEK.

3. COMMENT: COVERSTON GAVE US IMPRESSION THAT GOCR WOULD BE CONSIDERING ALL THREE ALTERNATIVES. HOWEVER, KOGAN, IN CONVERSATION WITH THE AMBASSADOR, INDICATED INTEREST ONLY IN ALTERNATIVE B) ABOVE.
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KOGAN SAID THAT GOCR WAS TIRED OF DEALING WITH ALLIED AND WOULD LIKE TO GET RID OF THEM. HE SAID THEY WERE THROUGH TRYING TO NEGOTIATE PRICE INCREASE AND IN NO CASE WOULD GRANT ONE UNLESS RECOPE PERFORMED FIRST IN A NEW INVESTMENT PROGRAM. COVERSTON FOR HIS PART INDICATED THAT ALLIED WAS EQUALLY HARD-NOSED AND PREPARED TO PULL OUT. THE APPARENT

WILLINGNESS OF ALLIED TO WRITE OFF ITS
SUBSTANTIAL ACCOUNTS RECEIVABLE ITEM
FROM RECOPE AND ITS EQUITY WITH NO
COMPENSATION IS CURIOUS. WHETHER THERE
IS ANY SORT OF A DEAL HERE THAT DOES NOT
YET MEET THE EYE IS NOT CLEAR.

4. WE RECOMMEND THAT THE DEPARTMENT QUERY
ALBIE AND UNION TEXAS TO ASCERTAIN THEIR VIEW
OF THE SITUATION AND OF THE DECISIONS THEY
MAY HAVE TAKEN.
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